

AMENDED IN SENATE JUNE 12, 2008

AMENDED IN ASSEMBLY MAY 23, 2008

AMENDED IN ASSEMBLY APRIL 22, 2008

AMENDED IN ASSEMBLY APRIL 3, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

## ASSEMBLY BILL

**No. 2220**

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**Introduced by Assembly Member Jones**

February 20, 2008

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An act to add Section 1371.395 to the Health and Safety Code, relating to health care service plans.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2220, as amended, Jones. Health care service plans: hospital-based physician contracts: arbitration.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law requires that contracts with providers, among others, be fair, reasonable, and consistent with the objectives of the act, and provide a fast, fair, and cost-effective dispute resolution mechanism.

With respect to contracts between specified hospital-based physicians or hospital-based physician groups and health care service plans or their contracting payers, this bill would authorize either party to the contract negotiations, *if significant progress has been made toward a mutually agreeable contract*, to submit any *remaining* impediments to reaching acceptable contract terms to an arbitrator to be resolved by binding

arbitration. The bill would, among other things, require the hospital-based physician or hospital-based physician group and the health care service plan or its contracting payer to each contribute an equal amount to the cost of the arbitration.

Because a willful violation of the bill's provisions would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 1371.395 is added to the Health and
- 2 Safety Code, to read:
- 3 1371.395. (a) If, as a result of a contract between a hospital
- 4 and a health care service plan or a health care service plan's
- 5 contracting payer, a hospital-based physician or hospital-based
- 6 physician group provides services to the plan's or the contracting
- 7 payer's enrollees, who represent more than 5 percent of the patients
- 8 treated by the hospital-based physician or hospital-based physician
- 9 group, and the hospital-based physician or hospital-based physician
- 10 group is negotiating a contract with the health care service plan or
- 11 its contracting payer, either party to the contract negotiations may,
- 12 *if significant progress has been made toward a mutually agreeable*
- 13 *contract*, submit any *remaining* impediments to reaching acceptable
- 14 contract terms to an arbitrator to be resolved by binding arbitration.
- 15 The hospital-based physician or hospital-based physician group
- 16 and the health care service plan or its contracting payer shall each
- 17 contribute an equal amount to the cost of the arbitration conducted
- 18 pursuant to this subdivision.
- 19 (b) Arbitration conducted pursuant to subdivision (a) shall use,
- 20 whenever possible, final offer arbitration *as it pertains to the*
- 21 *financial terms of the contract*.
- 22 (c) The arbitrator chosen pursuant to subdivision (a) shall meet
- 23 both of the following requirements:

1 (1) Be agreeable to both the hospital-based physician or  
2 hospital-based physician group and the health care service plan or  
3 its contracting payer.

4 (2) Be impartial and have competence and experience in the  
5 resolution of the same or similar matters.

6 SEC. 2. No reimbursement is required by this act pursuant to  
7 Section 6 of Article XIII B of the California Constitution because  
8 the only costs that may be incurred by a local agency or school  
9 district will be incurred because this act creates a new crime or  
10 infraction, eliminates a crime or infraction, or changes the penalty  
11 for a crime or infraction, within the meaning of Section 17556 of  
12 the Government Code, or changes the definition of a crime within  
13 the meaning of Section 6 of Article XIII B of the California  
14 Constitution.